

**ASSEMBLY BILL**

**No. 2605**

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**Introduced by Assembly Member De La Torre**

February 19, 2010

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An act to amend Section 19525 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2605, as introduced, De La Torre. Income and corporation taxes: fraud reporting: reward program.

Existing tax laws impose various taxes and fees, and authorize the Franchise Tax Board to administer the assessment, audit, and collection of various taxes and fees. Existing law authorizes the Franchise Tax Board to establish a reward program for information resulting in the identification of underreported or unreported income subject to taxes.

This bill would instead require the Franchise Tax Board to establish a reward program under specified circumstances where, if the Franchise Tax Board proceeds with an administrative or judicial action based on information brought to the board's attention by a person, the person would receive a percentage of any collected proceeds, as defined, of the administrative action, judicial action, or settlement in response to that action. This bill would require the information provided to the board to be submitted under the penalty of perjury.

This bill, by expanding the definition of an existing crime, would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 19525 of the Revenue and Taxation Code  
2 is amended to read:

3 19525. (a) The Franchise Tax Board, under regulations  
4 prescribed by the Franchise Tax Board, ~~may~~ shall establish a  
5 reward program for information resulting in the identification of  
6 underreported or unreported income subject to taxes imposed by  
7 Part 10 (commencing with Section 17001) or Part 11 (commencing  
8 with Section 23001). ~~Any reward may not exceed 10 percent of~~  
9 ~~the taxes collected as a result of the information provided. Any~~  
10 ~~person employed by or under contract with any state or federal tax~~  
11 ~~collection agency shall not be eligible for a reward provided for~~  
12 ~~pursuant to this section.~~

13 (b) (1) *If the Franchise Tax Board proceeds with an*  
14 *administrative or judicial action based on information brought to*  
15 *the Franchise Tax Board's attention by a person, the person shall,*  
16 *subject to paragraph (2), receive as a reward at least 15 percent*  
17 *but not more than 30 percent of the collected proceeds of the*  
18 *administrative or judicial action, or related action, or from any*  
19 *settlement in response to that action. The determination of the*  
20 *amount of the reward by the Franchise Tax Board shall depend*  
21 *upon the extent to which the person substantially contributed to*  
22 *the administrative or judicial action.*

23 (2) (A) *In the event the administrative or judicial action is one*  
24 *which the Franchise Tax Board determines to be based principally*  
25 *on disclosures of specified allegations arising from an*  
26 *administrative or judicial hearing, from a governmental report,*  
27 *hearing, audit, or investigation, or from the news media, the*  
28 *Franchise Tax Board may award a sum that it deems appropriate*  
29 *that does not exceed 10 percent of the collected proceeds resulting*  
30 *from the administrative or judicial action, or related action, or*  
31 *from any settlement in response to that action. In determining the*  
32 *reward amount, the Franchise Tax Board shall take into account*  
33 *the significance of the person's information and the role of the*

1 *person, and any legal representative of the person, in contributing*  
2 *to the administrative hearing, judicial hearing, or settlement.*

3 *(B) The reward limitation described in this paragraph shall not*  
4 *apply if the information resulting in the administrative or judicial*  
5 *action was originally provided by the person.*

6 *(c) The reward program shall apply to administrative or judicial*  
7 *actions against any taxpayer whose tax liability arose under Part*  
8 *10 (commencing with Section 17001) or Part 11 (commencing*  
9 *with Section 23001), but in the case of a person whose income is*  
10 *subject to taxes under Part 10 (commencing with Section 17001),*  
11 *only if the person's gross income exceeds two hundred thousand*  
12 *dollars (\$200,000) for any taxable year subject to the*  
13 *administrative or judicial action and the tax, penalties, interest,*  
14 *additions to tax, and additional amounts in dispute exceed two*  
15 *million dollars (\$2,000,000).*

16 *(d) For purposes of this section, "collected proceeds" includes,*  
17 *but is not limited to, penalties, interests, additions to tax, and any*  
18 *additional amounts.*

19 *(e) A determination regarding the amount or denial of a reward*  
20 *may, within 30 days of the determination, be appealed to the State*  
21 *Board of Equalization.*

22 *(f) A contract with the Franchise Tax Board shall not be*  
23 *necessary for any person to receive a reward under this section.*

24 *(g) A person who may receive a reward under this section may*  
25 *be represented by counsel.*

26 *(h) Any person employed by or under contract with any state*  
27 *or federal tax collection agency shall not be eligible for a reward*  
28 *provided for pursuant to this section.*

29 *(i) No reward shall be made under this section based on*  
30 *information submitted to the Franchise Tax Board unless the*  
31 *information is submitted under penalty of perjury.*

32 **SEC. 2.** No reimbursement is required by this act pursuant to  
33 Section 6 of Article XIII B of the California Constitution because  
34 the only costs that may be incurred by a local agency or school  
35 district will be incurred because this act creates a new crime or  
36 infraction, eliminates a crime or infraction, or changes the penalty  
37 for a crime or infraction, within the meaning of Section 17556 of  
38 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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